

Uncompensated Care Pool Quarterly Report, PFY05 Q3

About this Report

Pursuant to Chapter 149 of the Acts of 2004, the Division of Health Care Finance and Policy (the Division) submits this quarterly report on the demographics and utilization patterns of individuals whose medical care is paid for by the Massachusetts Uncompensated Care Pool (UCP or 'the Pool'). This report covers Pool activity during the first three quarters of Pool Fiscal Year 2005 (PFY05 Q1 through Q3) from October 1, 2004, through June 30, 2005, and reports on the number of inpatient discharges and outpatient visits by age, income, and diagnostic category, as well as average charge per inpatient discharge and outpatient visit, and other statistics pertinent to monitoring the Pool.

Analyses of the utilization patterns of Pool users are based on claims for services billed to the Pool by each acute care hospital and community health center (CHC) in the Commonwealth. Demographic information is taken from uncompensated care applications submitted to the Division and through MassHealth. Total charges and allowable uncompensated care costs are based on monthly reports submitted to the Division by each hospital and CHC. This report is based on the most recent data available. See Data Notes at the end of this report for further information on the data used in the analyses provided here.

This report is organized into four sections containing the following information on Pool activity during the first three quarters of PFY05:

- *Impact of PFY05 Pool Reforms*, including analyses of the MassHealth Eligibility Screening reform;

- *Pool Utilization Statistics*, including the number of individuals whose medical expenses were billed to the Pool, the volume of services provided to Pool users, and the costs to the Pool of that care;
- *Pool User Demographics*, including the volume of services and costs by age, gender, family income, and family size; and
- *Services Billed to the Pool*, including details on the types of services received by Pool users, inpatient and outpatient volume and costs by age and gender, type of inpatient admission, top reasons for care, and average costs for inpatient discharges and outpatient visits.

Uncompensated Care Pool Overview

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and CHCs to eligible low-income uninsured and underinsured individuals. In addition, the Pool reimburses hospitals for emergency services for uninsured individuals from whom the hospitals are unable to collect payment

(these are known as emergency bad debt charges or ERBD). The Pool is always the payer of last resort on any claim. If an individual is uninsured, the Pool is the primary and only payer. However, if another public or private insurer is the primary payer, the Pool may be charged for the balance of charges for

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which the eligible individual is responsible. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3222, or visit www.mass.gov/dhcfp.

Beginning in PFY04, the UCP payment method for hospitals changed from a retrospective fee-for-service system to a prospective fixed-payment system. Under the new system, acute care hospitals are paid a pre-determined amount from the Pool each month, based in part on historical uncompensated care costs. CHCs continue to be paid on a fee-for-service basis up to an annual cap that is set for total CHC expenditures. See the Appendix for a summary table of the sources and uses of Pool funds comparing PFY04 with PFY05 through Q3.

The Impact of PFY05 Pool Reforms

MassHealth Eligibility Screening

Since October 1, 2004, all UCP applications processed through the MassHealth application system have been screened first for MassHealth eligibility before a UCP determination is made.

Beginning in January PFY05, the majority of monthly UCP determinations have been completed using the MassHealth application process. As anticipated, the transition to the Virtual Gateway application system has resulted in a significant reduction in UCP applications submitted to the Division; these applications declined 85% between October and June, an average decline of 20% per month. MassHealth UCP determinations increased by an average of 26% per month during this period. The Division continues to receive applications for the age 65 and over population, applications for a small number of confidential applicants, and Medical Hardship applications. As the Community Elder population is transitioned into the MassHealth application system, UCP determinations for the age 65 and over population will be completed using the MassHealth process.

One of the objectives of the MassHealth Eligibility Screening reform is to enroll patients in the most appropriate program available, possibly resulting in reduced UCP utilization.

Figures 1A, 1B, and 1C show the significant decrease in UCP utilization growth rates from PFY03 through PFY05 Q3. For example, the growth rate for outpatient visits by Pool users dropped from 48% between PFY03 and PFY04 to -7% between PFY04 and PFY05 Q3. Similar declines were also evident for inpatient discharges and CHC visits.

The Division continues to monitor the effects of the MassHealth Eligibility Screening, as well as other PFY05 Pool reforms, for their effects on UCP utilization. In addition, the Division is currently conducting financial and clinical audits of the Pool that will enable in-depth analyses of the PFY05 Pool reforms.

Pool Utilization Statistics

Number of Individuals Using the Pool

During PFY05 through Q3, medical expenses for an estimated 378,179 individuals were billed to the Pool, representing a 2% decrease in Pool users compared with PFY04 through Q3 when medical expenses for 385,908 individuals were billed to the Pool.

In PFY04, medical services for 465,844 individuals were billed to the Pool; 83% of these individuals received services during PFY04 Q1 through Q3.¹ The Division estimates that 455,637 individuals will benefit from services paid for by the Pool during PFY05, a decrease of 2% from PFY04. In contrast, the number of Pool users increased 14% from PFY03 to PFY04 and 18% from PFY02 to PFY03.

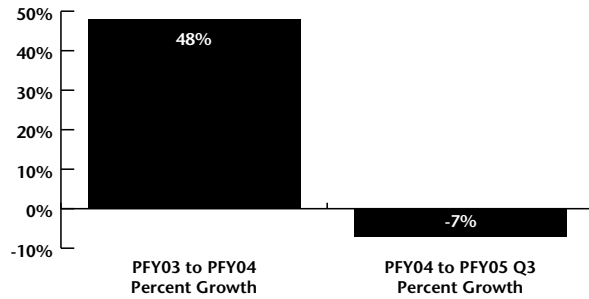
Allowable Costs Billed to the Pool

During PFY05 through Q3 costs exhibited a slower rate of growth than during previous quarters (see Figure 2A). Hospitals billed approximately \$540.0 million in projected allowable uncompensated care costs² to the Pool, which was essentially unchanged

¹ The seemingly high percentage (83%) of users in the first three quarters of PFY05 reflects the method used to calculate the number of users in a quarter versus a full year, and is not due to overly high utilization rates during the quarters. The user count for a quarter is the number of individuals who received services in that particular quarter; the user count for a year is the number of individuals who received services at any point during the year. Therefore, an individual who received services in the first and fourth quarters would be counted as a user in both the first and fourth quarters, but would only be counted as one user for the Pool Fiscal Year as a whole.

² These are projected costs based on the charges submitted to the Pool by each hospital multiplied by that hospital's interim cost-to-charge ratio.

Figure 1A: Percent Change in Outpatient Visits by Pool Users Over Time, PFY03–PFY05 Q3



from the \$537.7 million billed to the Pool in the preceding three quarters (PFY04 Q2 through Q4). Total projected costs to the Pool in PFY04 equaled approximately \$684.9 million, an average of \$171.2 million per quarter.

CHCs received \$28.3 million from the Pool during PFY05 Q1 through Q3, which was essentially unchanged from the \$28.9 million paid to CHCs during PFY04 Q2 through Q4 (see Figure 2B).

Volume of Services Provided

Table 1 summarizes the volume and costs of services billed to the Pool during the first three quarters

Figure 1B: Percent Change in Inpatient Discharges by Pool Users Over Time, PFY03–PFY05 Q3

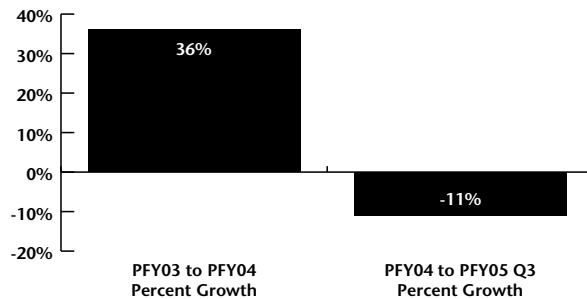


Figure 2A: Hospital-Projected Allowable Costs by Quarter, PFY04–PFY05 Q3 (in millions)

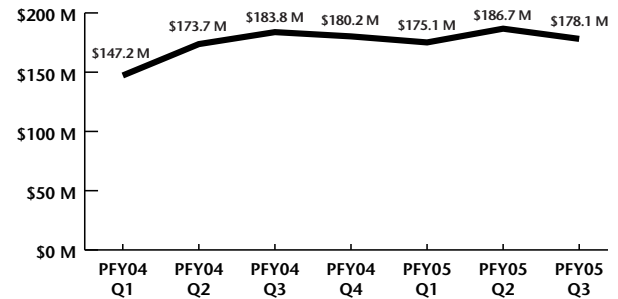


Figure 1C: Percent Change in CHC Visits by Pool Users Over Time, PFY03–PFY05 Q3

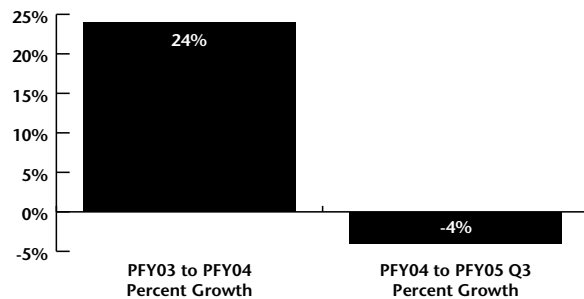
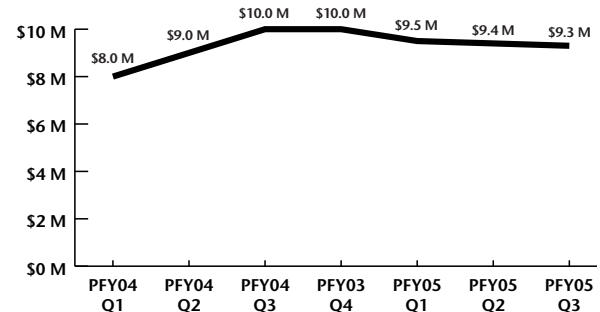


Figure 2B: CHC Payments by Quarter, PFY04–PFY05 Q3 (in millions)



Note: These graphs use October through June data in all years.

Table 1: Total Service Volume and Costs by Hospital and CHC, PFY05 Q1–Q3

	Service Volume	Percent of Total Volume	Allowable Costs to the Pool	Percent of Total Costs
Total Inpatient Discharges	32,878	2%	\$188,982,990	33%
Total Outpatient Visits*	1,301,801	79%	\$350,968,411	62%
Total Hospital Discharges/Visits**	1,334,680	81%	\$539,951,401	95%
CHC Visits	316,217	19%	\$28,261,322	5%
Total Hospital and CHC Volume	1,650,897	100%	\$568,212,723	100%

* Outpatient Visits include visits to hospital outpatient departments and hospital-licensed community health centers.

** 88% of the service volume and 85% of costs were for regular uncompensated care services; 12% of service volume and 15% of costs were for emergency bad debt services (ERBD).

of PFY05. As in PFY04, inpatient discharges represented a small percentage of the volume (2%), but a large percentage of allowable uncompensated care costs (33%). In contrast, hospital outpatient visits (including visits to hospital-licensed health centers) accounted for 79% of services provided and 62% of costs. The remaining 19% of services and 5% of costs were for services delivered at free-standing CHCs.

Hospital services provided to individuals who applied for and were determined to be eligible for uncompensated care accounted for 88% of all services and 85% of allowable hospital costs billed to the Pool. The remaining 12% of hospital services and 15% of allowable costs were for uncollectible emergency bad debt (ERBD) services. These percentages remained unchanged in PFY05 through Q3.

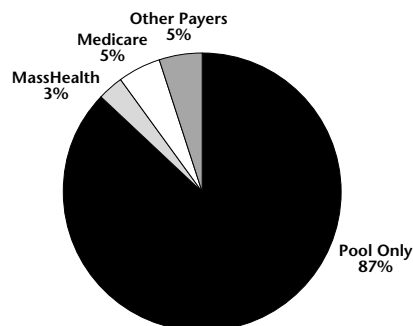
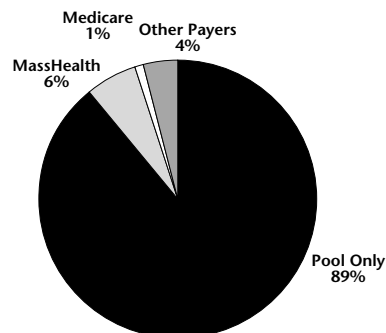
Pool User Demographics

In the first three quarters of PFY05, the demographic characteristics of Pool users remained essentially unchanged from PFY04, with the majority of Pool users being uninsured, single, childless adults ages 19 to 64, with very low incomes.

Insurance Status of Pool Users

The majority of Pool users had the Pool as their primary payer; 87% of all medical services billed to the Pool and 89% of costs were for individuals who reported having no insurance, and for whom the Pool was the primary and only payer. As such, the Pool paid for all medically necessary services for these uninsured individuals. The remainder of the Pool user population was covered by other public or private insurance, but the Pool was billed for any uncovered services, copayments, and deductibles. For this population, MassHealth was the primary

payer for 3% of service volume and 6% of costs billed to the Pool, Medicare was the primary payer for 5% of services and 1% of costs, and other commercial and government programs were the primary payers for 5% of services and 4% of costs (see Figures 3A and 3B). When Medicare or other payers were the primary payers, costs to the Pool represented a slightly lower

Figure 3A: Percent of Total Hospital Service Volume by Primary Payer, PFY05 Q1–Q3**Figure 3B: Percent of Total Hospital Pool Costs by Primary Payer, PFY05 Q1–Q3**

percentage of total costs than of service volume. This difference reflects the fact that when the Pool is the only payer, it is billed for all medically necessary services, but when other payers are primary, the Pool is billed only for uncovered services, copayments, and deductibles, which are likely to be much lower in cost.

Utilization Patterns by Gender

As in previous quarters, men in the Pool user population used fewer services than women (41% of services billed to the Pool were for men versus 59% for women), but generated more hospital costs (51% for men versus 49% for women); see Figures 4A and 4B. This difference reflects a variation in utilization patterns; men are more likely than women to receive inpatient hospital care, which accounts for higher costs to the Pool, while women more typically receive outpatient services (see also Figures 8A and 8B).

Utilization Patterns by Age

The Pool primarily pays for services for non-elderly adults. During PFY05 through Q3, young adults ages 25 to 44 received the largest percentage of services (37%), while the entire non-elderly population ages 19 to 64 received 83% of the total service volume (see Figure 5A). The distribution of hospital costs by age exhibits this same pattern (see Figure 5B).

Utilization Patterns by Income

The majority of Pool users were low-income, single adults (see Figures 6A and 7A). Three-quarters (75%) of services billed to the Pool were for individuals with incomes less than 200% FPL, who were thereby eligible for full uncompensated care. Interestingly, Pool users with no income accounted for 27% of service volume, but represented 36% of allowable hospital uncompensated care costs (see Figures 6A and 6B); as a group, they were more costly than other Pool users. This same pattern was also observed in PFY04.

In contrast, Pool users with family incomes between 101% and 200% FPL were less costly and accounted for 32% of claims, but for only 24% of costs.

Utilization Patterns by Family Size

Over two-thirds of service volume (69%) and costs to the Pool (70%) were for one- or two-person fami-

Figure 4A: Percent of Total Hospital Service Volume by Gender of Patient, PFY05 Q1–Q3

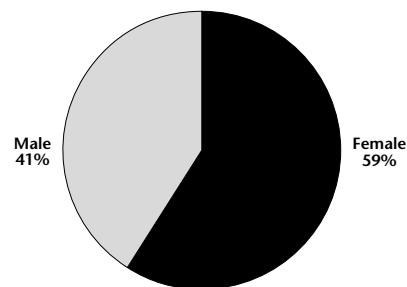
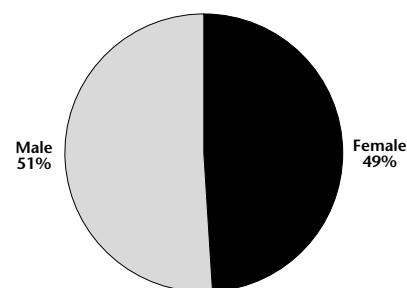


Figure 4B: Percent of Total Hospital Costs by Gender of Patient, PFY05 Q1–Q3



lies. Fifty-three percent of all services were for single, childless adults, and another 16% were for two-person families comprised of two adults, or an adult and child (see Figures 7A and 7B).

This quarterly report uses an integrated matching algorithm for data on family income and family size. This matching methodology matches data from uncompensated care claims to information on either the application submitted to DHCFP, or the application submitted to MassHealth. Previously, matching was only available against the DHCFP uncompensated care applications, resulting in a large number of unmatched claims. This new algorithm allows more accurate analyses of the family income and family size of all Pool users.

Figure 5A: Percent of Total Hospital Service Volume by Age of Patient, PFY05 Q1–Q3

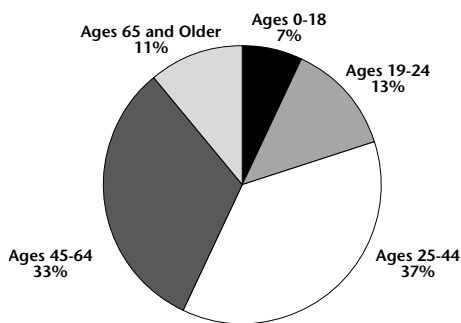
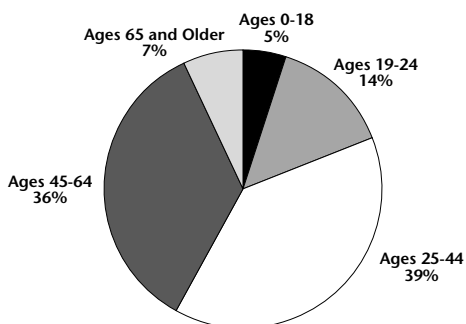


Figure 5B: Percent of Total Hospital Costs by Age of Patient, PFY05 Q1–Q3



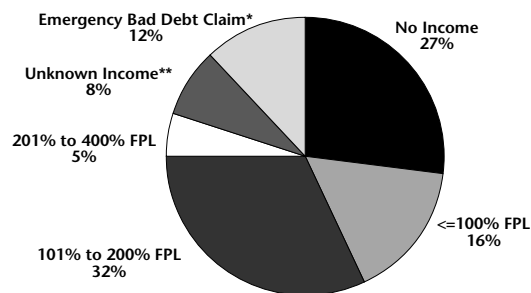
Utilization Patterns of the Pool Population: Services Billed to the Pool

Except where noted, the Uncompensated Care Pool utilization patterns exhibited by the Pool population during PFY05 Q1 through Q3 remained similar to the patterns of utilization observed in previous quarters.

Hospital Utilization by Gender

Consistent with previous quarters, utilization of inpatient and outpatient services differed dramatically for men and women during the first three quarters of PFY05. Fifty-seven percent of all inpatient services were for men, while 59% of outpatient services (including care in outpatient clinics and hospital-licensed health centers) were for women (see Figure 8A).

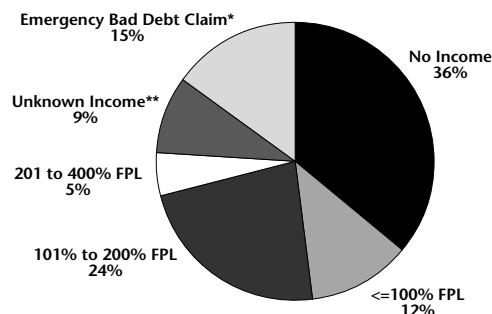
Figure 6A: Percent of Total Hospital Service Volume by Family Income, PFY05 Q1–Q3



* Data on family income are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family income is unavailable for these claims.

Figure 6B: Percent of Total Hospital Costs by Family Income, PFY05 Q1–Q3

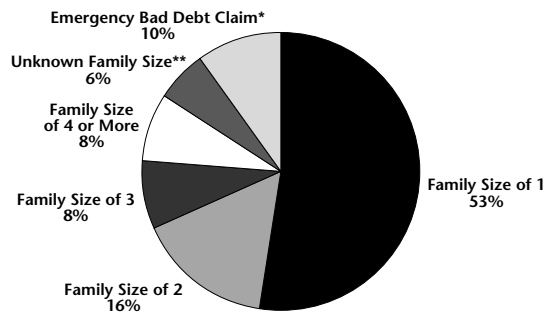


* Data on family income are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family income is unavailable for these claims.

The inpatient care for men accounted for 62% of inpatient costs billed to the Pool, or approximately \$117.1 million, while inpatient care for women accounted for 38% of inpatient costs, approximately \$71.8 million. In contrast, outpatient care for women accounted for over half (54%) of outpatient costs, approximately \$189.5 million, while care for men accounted for the remainder (46%), approximately \$161.4 million (see Figure 8B and Table 1).

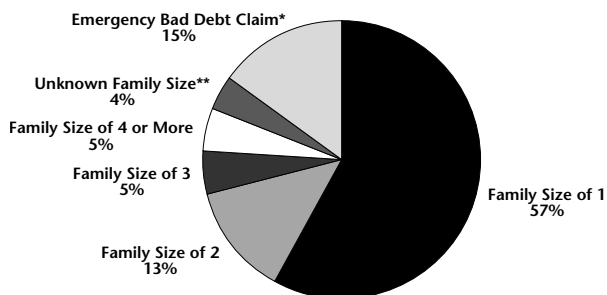
Figure 7A: Percent of Total Hospital Service Volume by Patient Family Size, PFY05 Q1–Q3



* Data on family size are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figure 7B: Percent of Total Hospital Costs by Patient Family Size, PFY05 Q1–Q3



* Data on family size are unavailable for ERBD claims because there are no uncompensated care applications associated with these claims.

** A small percentage of uncompensated care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Hospital Utilization by Age

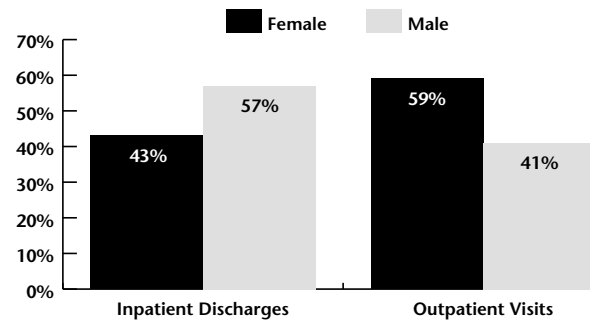
Pool users ages 25 to 44 received the most care of any age group in both hospital inpatient and outpatient settings, and generated the highest percentage of costs. However, the inpatient care for Pool users ages 45 to 64 was disproportionately expensive; ser-

vices for this group accounted for 30% of inpatient discharges, but 40% of inpatient costs (see Figures 9A and 9B).

Type of Admission

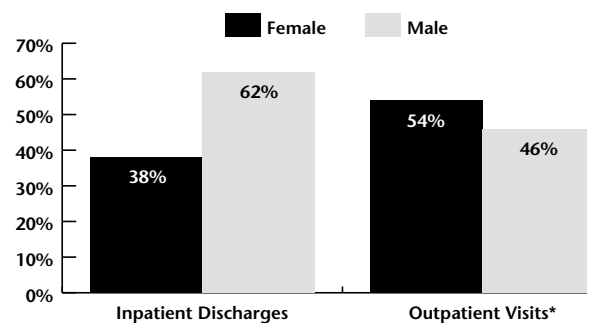
Eighty-seven percent of inpatient services were for emergency or urgent care; 63% were for emergency care and 24% were for urgent care. An additional 10% were for scheduled (coded as “elective”) procedures (see Figure 10A). Eighty-six percent of costs were for emergency or urgent care (see Figure 10B).

Figure 8A: Percent of Discharges and Visits* by Claim Type and Patient Gender, PFY05 Q1–Q3



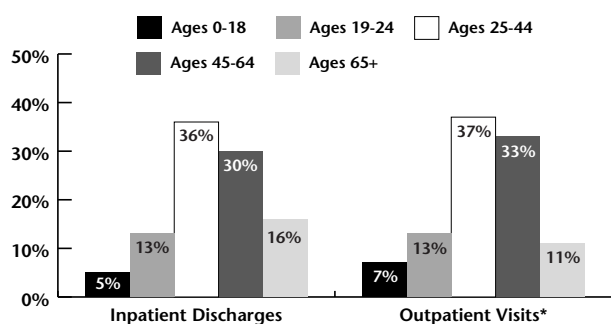
* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 8B: Percent of Costs to the Pool by Claim Type and Patient Gender, PFY05 Q1–Q3



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 9A: Percent of Discharges and Visits by Claim Type and Patient Age, PFY05 Q1–Q3



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 10A: Percent of Inpatient Discharges by Admission Type, PFY05 Q1–Q3

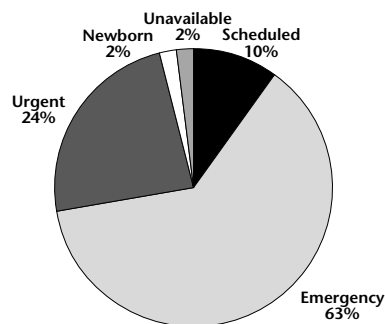
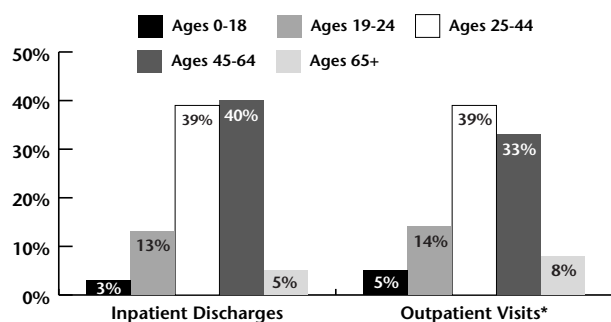
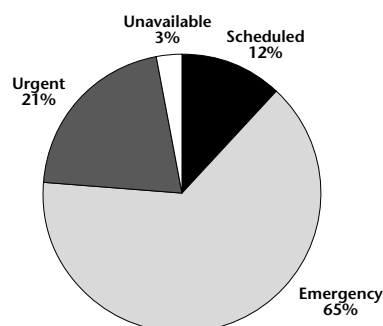


Figure 9B: Percent of Costs to the Pool by Claim Type and Patient Age, PFY05 Q1–Q3



* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 10B: Percent of Costs to the Pool by Inpatient Admission Type, PFY05 Q1–Q3



Top Reasons for Inpatient Discharges

During the first three quarters of PFY05, the most common two reasons for inpatient care were for circulatory disorders and mental diseases; 24% of services and 27% of costs were attributable to these MDCs (see Table 2). Inpatient discharges for mental health and substance abuse related disorders continued to be prevalent within the Pool user population. Together, these diagnoses comprised 19% of inpatient diagnoses and 18% of costs.

Top Reasons for Outpatient Visits

Outpatient pharmacy services continued to represent the largest share of outpatient volume (24%) in

PFY05 through Q3 (see Table 3). Interestingly, however, these visits generated just 14% of outpatient costs. These costs were for outpatient pharmacy services only; when pharmacy services occurred along with other outpatient services, the bill was grouped under the primary service provided.

Average Cost per Inpatient Discharge and Outpatient Visit

The average cost per inpatient discharge increased significantly in PFY05 through Q3 when compared with PFY04, and was approximately \$5,748 per inpatient discharge, and about \$270 per hospital outpatient visit (see Table 4). This represents an increase of

Table 2: Top Inpatient Major Diagnostic Categories (MDCs) for Uncompensated Care Patients by Percent of Total Discharges and Costs to the Pool, PFY05 Q1–Q3

MDC	Percent of Total Inpatient Discharges	Percent of Total Inpatient Costs
Circulatory Diseases and Disorders	14%	15%
Mental Diseases and Disorders	10%	12%
Digestive Diseases and Disorders	11%	10%
Respiratory Diseases and Disorders	9%	8%
Alcohol/Drug Use and Induced Organic Mental Disorders	9%	6%
Nervous System Diseases and Disorders	6%	8%
Musculoskeletal Diseases and Disorders	6%	7%
Hepatobiliary Diseases and Disorders	4%	6%
Skin Diseases and Disorders	4%	2%
Pregnancy, Childbirth, and the Puerperium	4%	2%
Total for Top MDCs	73%	74%

20% for both the average inpatient cost per discharge and for the average outpatient visit over PFY04.

Data Notes

Data used in these analyses were drawn from the following sources:

Monthly Reports from Hospitals and CHCs

Each month, hospitals and CHCs report their uncompensated care charges to the Division. Hospitals use the UC (uncompensated care) form and CHCs use the CHC Payment form. The UC form is an aggregation of monthly hospital charges; the CHC Payment form details monthly visit activity for CHCs as well as certain charge activity. The UC forms are matched to each hospital's claims in the Division of Health Care Finance and Policy claims database.

Pool Claims Database

Hospitals and CHCs began electronic submission of Pool claims to the Division in March 2001. During PFY03, the Division began to withhold payments from hospitals with incomplete data. As a result, compliance with data submission requirements has improved dramatically. Although variability exists among providers, Pool charges reported in the claims database equal approximately 90% of the charges reported by hospitals on the monthly UC forms they submit to the Division.

Pool Applications Database

Hospitals and CHCs began to submit electronic uncompensated care application forms to the Division in October 2000. The application contains data as reported by the applicant. Documentation

Table 3: Outpatient Ambulatory Patient Groups (APGs) for Uncompensated Care Patients by Percent of Total Hospital Visits and Costs, PFY05 Q1–Q3

APG	Percent of Total Visits	Percent of Total Costs
Pharmacy	24%	14%
Pulmonary Tests	4%	9%
Simple Gastrointestinal Diseases	2%	3%
Individual Comprehensive Psychotherapy	3%	1%
Counseling or Individual Brief Psychotherapy	2%	2%
Fracture, Dislocation, Sprain	2%	2%
Simple Musculoskeletal Diseases Except Back Disorders	2%	1%
Unspecified Dental Procedures	2%	1%
Physical Therapy	2%	1%
Upper Respiratory Infections, Ear, Nose, and Throat Infections	2%	1%
Total for Top APGs	45%	35%

Table 4: Average Cost per Inpatient Discharge and Outpatient Visit, PFY05 Q1–Q3 Including Comparison Cost Data from PFY04

	Number of Inpatient Visits/ Outpatient Discharges PFY05 Q1–Q3	Hospital Costs to the Pool PFY05 Q1–Q3	Average Cost PFY05 Q1–Q3	Average Cost PFY04
Inpatient Discharges	32,878	\$188,982,990	\$5,748	\$4,803
Outpatient Visits	1,301,801	\$350,968,411	\$270	\$225
Total Inpatient Discharges/ Outpatient Visits	1,334,680	\$539,951,401	\$405	\$341

of income and residency is required; hospitals and CHCs review and maintain the documentation.

Beginning in October of 2004, applications submitted through MassHealth were also screened for UCP eligibility, if no MassHealth eligibility existed. The eligibility data for individuals determined to be eligible for UCP or MassHealth after October 1, 2004 has been integrated into the UCP applications database to create a comprehensive dataset of demographic and eligibility information for all individuals with UCP eligibility.

Matched Pool Applications and Claims Database

To the extent possible, the Division matches uncompensated care claims to the corresponding uncompensated care application. Matching is based on the applicant's social security number or tax iden-

tification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match.

The Division's matching algorithm has recently been revised to incorporate application data from UCP applications submitted through MassHealth. This refined algorithm has resulted in an improved match rate; in PFY05 through Q3, 94% of uncompensated care claims matched to either a DHCFP or a MassHealth application. A small percentage of claims remains unmatched because of timing issues (e.g., applications submitted after an uncompensated care claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

Appendix: Uncompensated Care Pool Sources and Uses of Funds, PFY04–PFY05 Q3

<u>Uncompensated Care Trust Fund</u>	<u>PFY04</u>	<u>PFY05</u>
Budgeted Revenue Sources		
Hospital Assessment	157.5	160.0
Surcharge Payers	157.5	160.0
General Fund Contribution	140.0	210.0
Other Funding Sources		
General Fund Transfer, Supp. Budget. (§. 154, Ch. 352 Acts of 2004)		12.0
General Fund Transfer	35.0	75.0
Surplus from PFY98 and PFY99*	6.7	12.0
Prior Fiscal Year UCP balance	28.0	
Medical Assistance Transfer Account		7.2
Transfer of FFP pursuant to the Jobs & Growth Relief Rec Act of 2003	55.0	
Supplemental Budget Appropriation to CHCs	3.0	
Transfer from account # 4000-0896 (Essential)		75.0
Total Sources	582.7	711.2
Uses of Funds		
UCTF Pool Uses of Funds		
Hospitals	(386.7)	(498.6)
Audit Adjustments	-	-
Hospital Net After Audit Adjustments	(386.7)	(498.6)
Community Health Centers	(31.0)	(39.9)
Demonstration Projects (Historic Pool)	(3.0)	(3.0)
Demonstration Project: Disease Management	0.0	(4.9)
Pool Audit Unit: Transfer to Inspector General	0.0	(4.9)
Administration/Data Collection	(2.0)	0.0
MassHealth Essential	(160.0)	(160.0)
Total Uses	(582.7)	(711.2)
 <u>Uncompensated Care Pool: Financial Summary</u>	 <u>PFY04</u>	 <u>PFY05 Q1–Q3</u>
Hospitals		
Hospital Payments	(386.7)	(373.9)
Offsets to UCP	(120.0)	(105.0)
Net Allowable UCP Costs**	(684.5)	(519.4)
Hospital Shortfall	(177.8)	(40.5)
Community Health Centers		
Community Health Center Payments	(31.0)	(28.3)
Net Allowable UCP Costs	(30.4)	(28.3)
CHC Shortfall	0.6	0.0
UCP Surplus/(Shortfall)	(177.2)	(40.5)

* Surpluses from the settlements of PFY98 and PFY99 totaling \$18.7 M were paid out in 2004 and 2005.

** In PFY04, Net Allowable Uncompensated Care Costs are based on 12 months of data for hospitals and 12 months of data for CHCs. In PFY05, UCP Costs for Q1 through Q3 are based on the applicable nine months of data.